DIRECT TESTIMONY
OF
REGINA J. ELBERT, ESQ.

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REGINA J. ELBERT, ESQ.

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2020-125-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Regina J. Elbert, and my business address is 600 Canal Place, 20th Floor, Richmond, Virginia 23219.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Dominion Energy Services, Inc. as Vice President of Human Resources Business Services. In that capacity, I oversee the human resources function for the company, including Dominion Energy South Carolina, Inc. ("DESC" or the "Company") and related services companies, which involves policy and strategy, employee and labor relations, employee compensation and payroll, benefits design and administration, and human resources information systems.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Arts degree in economics and foreign affairs from the University of Virginia and a Juris Doctor degree from Harvard Law

School. In 2011, I joined Dominion Energy, Inc. ("Dominion Energy") as senior counsel for employee benefits and was promoted to manager of Executive Compensation in 2014. In 2017, I became managing counsel and in September 2018, was named deputy general counsel. In March 2019, I was promoted to my current position as Vice President of Human Resources Business Services.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (THE "COMMISSION")?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the annual incentive plan ("AIP") and long-term incentive programs that applied during the test year to DESC. I explain why the incentive compensation accrued under these programs during the test period was a valid and reasonable cost of utility operations and an integral part of the Company's total compensation package. My testimony refers to amounts accrued by DESC with respect to both DESC employees and employees of Dominion Energy Southeast Services, Inc. ("DESS").[1] I will also discuss how the Company has

[1] DESS is a services company consisting of legacy SCANA employees and providing corporate support to DESC and other legacy SCANA businesses. Examples of DESS functions include information technology,

incorporated Dominion Energy's diversity and inclusion practices since the merger.

Q. WHAT ACTION IS DESC REQUESTING THAT THE COMMISSION TAKE REGARDING INCENTIVE COMPENSATION IN THIS PROCEEDING?

A. In this proceeding, DESC is asking the Commission to allow it to include in its revenue requirement the incentive compensation expense accrued during the test period by DESC, with the AIP award reduced to reflect accrual at 100% of target.

Q. WHY WAS THAT ADJUSTMENT NECESSARY?

A. The actual AIP award for that plan year was made at approximately 110% of target due to favorable funding from the Dominion Energy level. A pro forma adjustment has reduced the AIP test year expense to 100% for purposes of this rate proceeding. Company Witness Mr. Kochems discusses that pro forma adjustment from an accounting perspective.

I. THE COMPETITIVE NATURE OF THE INCENTIVE COMPENSATION PLANS

Q. WAS THE COMPENSATION OFFERED TO EMPLOYEES IN 2019 AND ACCRUED AS A TEST YEAR OPERATING EXPENSE A REASONABLE COST OF UTILITY OPERATIONS?

accounting, finance, human resources, legal, procurement, and other areas. During the test year, the incentive compensation programs discussed herein were the same for both DESC and DESS employees.

A. Yes. The amount of compensation offered to DESC and DESS employees in 2019 and accrued as a test year operating expense was a reasonable cost of utility operations. This is true for both base and incentive compensation.

Q. PLEASE EXPLAIN HOW DESC ENSURED THAT THE COMPENSATION PAID TO EMPLOYEES IN 2019 WAS REASONABLE.

A. The compensation levels reflected in the test year results were established prior to the merger. Compensation was evaluated on a job-by-job basis against market-based benchmarks adjusted based on internal equity (similar jobs should have similar values) and consistency and fairness across the Company. Where market-based benchmarks were not available, job values were established relative to similar jobs and the benchmarks that were available. In the merger approval order, Order No. 2018-804, the Commission required Dominion Energy to maintain the compensation levels of legacy employees during 2019, which is the test year for this proceeding. Dominion Energy did so, and, as a result, the compensation expense during the test period generally reflected targets that had been determined prior to the merger. As part of the merger integration process, Dominion Energy has reviewed these compensation levels and has determined them to be consistent with and, in some cases, slightly lower than current market standards.

Q. WHAT WAS THE SOURCE OF DESC'S BENCHMARKING INFORMATION?

A. DESC's compensation packages were evaluated through data, surveys and reports produced by industry associations, human resources associations, and national human resources consulting firms. These sources provide specific benchmarks for utility jobs and incentive compensation plans. They are the standard and accepted basis for determining market compensation in the industry.

Q. WHY IS IT IMPORTANT THAT THE OVERALL COMPENSATION PLAN BE COMPETITIVE IN THE LABOR MARKET?

A. As Company Witnesses Mr. Blevins and Mr. Kissam testify, DESC's priority is to provide its electric customers with safe, reliable and economical electric service, while supporting the communities it serves and acting as a responsible public citizen on issues such as the environment and diversity and inclusion. DESC's ability to fulfill those priorities depends on the skills, motivation, focus and priorities of its employees. For DESC to be successful, it must be able to attract, hire, motivate and retain employees who have the necessary skills and commitment to achieve those priorities. Doing so requires a total compensation plan that is competitive as measured against market benchmarks.

In addition, DESC must be able to communicate its key customer and community service priorities and financial constraints to employees in a way that causes them to internalize them and act on them. A principal tool for doing so is DESC's goal-based incentive compensation system.

Q. WHAT IS YOUR GOAL IN INTEGRATING DESC INTO THE DOMINION ENERGY GROUP OF COMPANIES?

A. Our goal in integrating DESC into Dominion Energy is for DESC and DESS employees to receive pay, incentives and opportunities comparable to the market and to those received by their colleagues in other states where we operate. We believe that doing so is both fair and a good business practice and reflects the importance of DESC to Dominion Energy's overall utility operations.

Q. ARE THERE DIRECT COST SAVINGS FROM MAINTAINING FAVORABLE EMPLOYEE RETENTION LEVELS?

A. Yes. Employee turnover is expensive. When employees leave prematurely, DESC incurs additional costs to recruit replacements. Customers lose the value of the utility's investment in recruiting, training and developing the knowledge base of the employees who have left. When the employees who leave are individuals that add diversity to our workforce, we lose the value of their perspective and experience within our organization. The Company's goal is to attract and retain a diverse workforce of hard-working, capable and conscientious employees who commit to a career providing safe, reliable, and economical service to customers. In the long run, a compensation package that is competitive will allow the Company to attract and retain employees who have the skills and motivation to provide safe, reliable and efficient service. Plans that are not competitive will not be able to attract and retain such employees and will result in diminished safety, efficiency, and quality of service, and in higher costs to customers.

Q. WHAT ROLE DO INCENTIVE COMPENSATION PLANS PLAY IN DESC'S OVERALL COMPENSATION SYSTEM?

A. Incentive compensation is an integral part of the competitive total compensation package offered to employees.

Specifically, the incentive programs are a uniquely valuable way to communicate to all employees the key goals that need to be accomplished in meeting our commitments to excellent utility service and our public commitments as responsible corporate citizens. DESC and DESS have over 3,500 employees disbursed throughout the DESC service territory. An entity of this size and scope needs organized programs for communicating its priorities and motivating employees to accomplish them. Our incentive programs give employees a direct stake in achieving the Company's goals and are an especially effective way to get employees to recognize and embrace these goals. The financial components of these plans benefit customers by encouraging employees to work efficiently and to keep costs low while delivering safe and reliable energy and supporting the Company's commitment to be a responsible corporate citizen.

Q. HOW DID DESC'S TEST PERIOD INCENTIVE COMPENSATION COMPARE TO INDUSTRY STANDARDS?

A. The test period annual incentive compensation provided potential incentive awards that overall were consistent with industry benchmarks, although the level of incentives available for certain employees that participated at the lower tiers of the structure tended to be below those benchmarks, with annual incentive tiers as low as 3%. At the time of the merger, most employees below the director level qualified for incentives with targets of 3%, 5%, or 7% of their eligible compensation. These percentages had remained unchanged since at least the year 2000. The standard across Dominion Energy is an incentive opportunity of at least 8.5% for all non-union employees, with tiers increasing in higher career levels. For our union employees, plan tiers are negotiated with the applicable union.

II. THE 2019 AIP PROGRAM

Q. PLEASE DESCRIBE THE PRE-MERGER ANNUAL INCENTIVE PLANS.

A. Prior to the merger with Dominion Energy, employees historically participated in one of three annual incentive plans. The first, the 3-5-7 Plan, applied to most employees, including hourly, salaried non-exempt, exempt and supervisory roles. It assigned employees to one of three tiers. The employees had the opportunity to earn incentive pay equal to 3%, 5%, or 7% of their eligible earnings (including regular pay and overtime) based on their tier. The top 15% of performers in the 3-5-7 Plan could also earn an additional 3% (if their target was 3%), 4% (if their target was 5%), or 5% (if their target was 7%), subject to management discretion.

Alternatively, some employees were offered the Short-Term Annual Incentive Plan ("STIP"). Employees at the director level or above generally participated in the STIP. Other leaders or employees in high impact or high skill positions could also be included in the plan based on managerial discretion where retention was particularly valuable to the operations of the utility. The target award under the STIP was individually assigned with consideration given to factors such as base pay, specific role, internal equity, and individual performance.

A variant of the STIP plan, the Mid-Tier Plan, was available primarily to V.C. Summer nuclear employees. The Mid-Tier Plan was created for the specific purpose of retaining and recruiting highly skilled nuclear personnel in the face of a declining applicant pool, nationwide competition for skilled employees, significant training and licensing requirements, and generational turnover in the workforce (many senior members of that work force entered the industry in the 1970s and 1980s). The Mid-Tier Plan had the same structure as the STIP plan but was more widely available to employees in specifically technical positions.

Q. PLEASE EXPLAIN HOW THE LEGACY ANNUAL INCENTIVE PROGRAMS CHANGED IN 2019.

A. As mentioned above, Order No. 2018-804 required DESC to protect the compensation levels of legacy employees during 2019. Accordingly, during the test period, we preserved the pre-merger target award percentages and applied them as they existed at the time of the merger to legacy employees. In addition, for 2019, we also preserved the ability of the top 15% of performers in the former 3-5-7 plan tiers to earn an additional 3%, 4%, or 5% based on their target tier. However, we made other aspects of the annual incentive compensation comply with the structure of Dominion Energy's company-wide AIP, including the funding provisions and goals.

Q. PLEASE DESCRIBE THE ANNUAL INCENTIVE PLAN GOALS DURING THE TEST PERIOD.

A. DESC and DESS employees shared the same safety goals that applied across all of the Dominion Energy business units. As to diversity and inclusion goals, two of the three goals were the same, but, in light of the fact that the merger occurred at the beginning of the year, adjustments were made to the supplier diversity spending goal to provide for the creation of a baseline against which future progress can be measured. Similarly, the legacy SCANA companies were excluded from certain aspects of the corporate environmental goal so that they could use 2019 to begin tracking environmental compliance using Dominion Energy's environmental and sustainability tracking methodology.

Employees were also assigned up to four additional operating and stewardship goals. Rather than being determined corporately, these goals could be determined at a lower level. These additional goals could be tailored to specific projects, team initiatives, employee development needs, or other business objectives.

Q. WHAT ROLE DID DOMINION ENERGY'S CONSOLIDATED FINANCIAL RESULTS PLAY IN FUNDING THE 2019 AIP?

A. The Dominion Energy board-level Compensation, Governance, and Nominating Committee ("CGN Committee") is responsible for determining plan funding. In making its determination, the CGN Committee considers Dominion Energy's financial performance. Each year, the CGN Committee sets a financial target for 100% plan funding based on operating earnings per share ("EPS"). For 2019, that target was $4.20 operating EPS.

Plan funding can be adjusted between 0% and 200% based on operating EPS performance, with the CGN Committee retaining final discretion to determine the plan funding level. Recognition of incentives for ratemaking purposes in this proceeding has been capped at 100% of target.

Once the level of plan is determined, awards are based on the points earned by individual employees or their business units achieving their goals. The target award level for each employee is set by applying the applicable percentage to the employee's qualifying compensation. The amount awarded is the target award, adjusted by the funding level, multiplied by the total goal score expressed as a percentage:

Plan Compensation X Target Award Level X Funding Level X Total Goal Score = Actual Award Payout

Q. WHAT ROLE DID OTHER FINANCIAL GOALS PLAY IN THE 2019 AIP?

A. As previously noted, the availability of funding for the 2019 AIP was tied to Dominion Energy's operating EPS. But even after the plan funding had been established, participants were also required to earn a "Total Goal Score" to receive any payout, in accordance with the formula shown above.[2]

[2] As detailed in our 2020 proxy statement, Dominion Energy's five Named Executive Officers (NEOs) have a different structure for determining annual incentive funding and payout. None of the five NEOs were DESC or DESS employees in 2019.

An employee's Total Goal Score could be between zero and 100 points, depending on goal accomplishment. Some of these points were earned based on the achievement by their business unit of its specific financial goals; however, for all but the most senior leadership, most of these points were earned based on other operating and stewardship accomplishments. For individual contributors, the ratio was 75 possible operating and stewardship points (i.e., safety, diversity and inclusion, environmental goals, and other operating and stewardship goals) and 25 possible business unit financial points. For supervisors, managers, and other non-executive leaders, operating and stewardship goals represented 65 out of a possible total of 100 points, with business unit financial goals representing the remaining 35 points. For vice presidents and senior vice presidents, the ratio of operating and stewardship points to financial goals was 50/50. Only the most senior leaders (the CEO, Executive Vice Presidents, and business unit CEOs of Dominion Energy) had financial to stewardship ratios higher than 50%; none of these individuals were employed by DESC or DESS during the test year.

Q. PLEASE EXPLAIN THE GOALS CONTAINED IN THE 2019 AIP.

A. Exhibit ___ (RJE-1) is the PowerPoint presentation that the Company used to explain the 2019 AIP to its employees. The presentation provides a comprehensive overview of the goals that the plan sought to achieve for the benefit of the ratepayers and community. In summary:

a. Safety

Safety is DESC's number one priority and was allotted ten points, or 10% of the total potential goal award of 100 points. If the business unit (DESC was treated as part of the Southeast Energy Group business unit[3] in this case) identified and implemented three innovative solutions that improved a safety concern, then the employees of that business unit were awarded five points.

Further, if Dominion Energy achieved a 0.29 DART rate, then employees earned three points. DART stands for "Days Away/Restricted or Transfer Rate" and it measures the number of recordable injuries and illnesses per 100 full-time employees that resulted in days away from work, restricted work activity, and/or job transfer. A 0.29 DART rate represented Dominion Energy's company-wide 3-year average DART rate reduced by 3%. Achieving a DART rate of 0.30 earned the award of 1.5 points, and anything greater than 0.30 did not earn any points.

The final two points for safety were awarded based on Dominion Energy's OSHA Recordable Incident Rate. If Dominion Energy achieved an

[3] In 2019, the Southeast Energy Group included DESC employees and other legacy SCANA employees, including those of DESS and legacy PSNC.

OSHA Recordable Incident Rate equal to or less than 0.68, then the employees were awarded two points. The 0.68 rate represented Dominion Energy's company-wide 3-year average OSHA Recordable Incident Rate less 3%. For rates equal to 0.69 or 0.70, the employees received one point, and for rates greater than 0.70, zero points.

Up to five bonus points could have been awarded for exceptional performance, which was defined by the plan as the successful completion of all three safety goals and the achievement of a DART rate equal to or less than 0.28. These bonus points were only available to be used to offset underachievement of goals in the operating and stewardship category provided that the bonus points could not be used toward any goals created around safety, diversity and inclusion, environmental, or regulatory compliance. In addition, the bonus points could not cause the Total Goal Score to exceed 100.

b. Diversity and Inclusion

Ten points were earned by achieving diversity and inclusion goals. Those in leadership positions could have earned ten points through achieving target levels of spending with diverse suppliers and by delivering diversity training to their direct reports. Specifically, two points could be earned from spending with diverse suppliers. The Southeast Energy Group was required to track the supplier diversity spend based on Dominion Energy tracking methodology in order to establish a supplier diversity spend baseline. If the Southeast Energy Group did not track the supplier diversity spend, no points were awarded.

The remaining eight points under the Diversity and Inclusion goal for leaders were allocated to employee training. Specifically, if 95% or more of the Southeast Energy Group's leaders led an employee training session on diversity and inclusion with their direct reports, then eight points were awarded. If less than 95% did, zero points were earned.

For individual contributors, all ten points were awarded if 95% or more of the Southeast Energy Group's employees attended an education session delivered by their leaders. For participation rates of 90% to 94%, five points were awarded, and for participation of less than 90%, zero points.

c. Environmental

Ten points were allocated to environmental goals. Employees in the Southeast Energy Group earned five points if 95% of them (including leaders) completed the Enhanced Energy Management System training module. A completion rate that was less than 95% did not earn any points. The remaining five points were earned by the Southeast Energy Group business tracking Reportable Environmental Events ("REE") from September 1, 2019, to December 31, 2019, utilizing the Dominion Energy

Environmental and Sustainability tracking methodology. If the Southeast Energy Group did not track the REE, no points were awarded.

d. Additional Operating and Stewardship Goals

Apart from the corporately-assigned operating and stewardship goals in the categories of safety, diversity and inclusion, and environmental, employees could be assigned up to four additional operating and stewardship goals. These operating and stewardship goals accounted for 45 points for individual contributors, 35 points for non-executive leadership, and 20 points for vice presidents and senior vice presidents. Employees of the Southeast Energy Group, other than V.C. Summer nuclear employees, were assigned three additional goals for 2019 in the areas of merger integration, customer focus, and operations reliability. V.C. Summer employees were assigned operating and stewardship goals consistent with the other nuclear power stations in Dominion Energy's fleet.

e. Consolidated Financial Goal

Aside from the requirement that the CGN Committee determine the availability of plan funding by giving consideration to whether the target operating EPS had been achieved, individual contributors and non-executive leaders were not subject to any Dominion Energy consolidated financial goal. Vice Presidents ("VPs") and Senior Vice Presidents ("SVPs") could have earned 15 points based on the consolidated financial goal. Dominion

Energy's Executive Vice Presidents and business unit CEOs could have earned 40 points based on the consolidated financial goal. The Dominion Energy CEO could have earned 85 of 100 points based on the consolidated financial goal.

The consolidated financial goal for 2019 was \$4.20 operating EPS, consistent with the target for 100% funding of the AIP.

f. Business Unit Financial Goals

Business unit financial goals were established consistent with Dominion Energy's overall earnings guidance and subject to the approval by the CGN Committee of the Board of Directors. These goals were based on net income for the operating business units and on net expense for the Dominion Energy Services business unit. Individual contributors could have earned 25 points based on business unit financial goals. Non-executive leaders and SVP/VPs could have earned 35 points, and Executive VPs/business unit CEOs could have earned 45 points. The Dominion Energy CEO was not subject to individual business unit goals.

III. THE LONG-TERM INCENTIVE PROGRAM

Q. ARE LONG-TERM INCENTIVE PLANS A VALID AND RECOGNIZED UTILITY EXPENSE?

A. Yes. Long-term incentive plans are recognized throughout the industry as an important way to attract, retain, and motivate key talent. They form an important part of the Company's overall market-based incentive package. Without a long-term incentive plan, the Company would need to increase other aspects of its compensation program, such as base pay or AIP, to provide a competitive pay package for leaders and other key employees. In doing so, the Company would lose the benefit of using the long-term incentive plan to tie the compensation of its leadership to achieving its goal of long-term financial viability and sustainability of the enterprise, which are important for the protection of customers' interests. Together with the AIP, the long-term incentive plan maintains a balanced focus for key employees between goals that have shorter and longer time horizons.

Q. PLEASE DESCRIBE DESC'S LEGACY LONG-TERM INCENTIVE PROGRAM.

A. Prior to the merger, the Company offered a long-term incentive program that consisted of restricted stock units ("RSUs") and performance share awards. Participants received 70% of their target award in performance share awards and the remaining 30% in RSUs.

All executives participated in the long-term incentive program, and non-executives were selected to participate based on their role and individual contributions and performance. Each participant in the long-term incentive program had an individually-determined target award amount, expressed as a percentage of base salary. Long-term incentive targets were assigned individually, with reference to market data, internal equity, and individual performance.

This legacy long-term incentive plan was terminated at the time of the merger. There are no expenses associated with it in the test year revenue requirement for this proceeding. Consistent with Order No. 2018-804 and the merger agreement, DESC carried forward pre-merger long-term incentive award eligibility and targets to legacy employees and entered them into the Company-wide long-term incentive plan in 2019.

Q. HOW DID THE LONG-TERM INCENTIVE PROGRAM FUNCTION IN 2019?

A. For eligible non-executives, Dominion Energy's 2019 long-term incentive program consisted of restricted stock grants, which were awarded in 2019 and will vest after three years. There are no performance goals associated with these grants.

For executives, half of the 2019 long-term incentive target amount was provided in the form of restricted stock grants, which vest after three years and have no performance goals. The other half was provided in the form of performance awards. The 2019 performance awards have a three-year performance period ending December 31, 2021. The value of these performance awards will be calculated in early 2022, at between 0% and 200% of their awarded amount. Their value will depend on two equallyweighted metrics: relative total shareholder return ("TSR") and return on invested capital ("ROIC"). There are additional opportunities to earn a portion of the performance award based on absolute TSR or relative price earnings (P/E) ratio performance as measured against peer companies.

The performance grants are issued either in the form of cash or Dominion Energy stock. To ensure each executive is invested in the long-term performance of the company, each executive has a stock ownership target established consistent with his or her position and compensation. Performance grants are issued in stock until the executive has achieved at least 50% of his or her stock ownership target as of the date of grant. Thereafter, it can be issued in cash.

IV. THE VALUE OF EARNINGS, RETURNS AND OTHER FINANCIAL GOALS AND STANDARDS IN INCENTIVE PLANS

Q. WHY ARE EARNINGS, RETURNS AND RELATED BUSINESS UNIT FINANCIAL GOALS AN APPROPRIATE WAY TO COMMUNICATE COST CONTROL PRIORITIES TO EMPLOYEES?

A. Earnings and returns on capital exist only to the extent that revenues have been sufficient to cover salaries, taxes, insurance, depreciation, overhead, other operating and maintenance expenses, and interest on debt service. Operating earnings are the earnings used in the Dominion Energy

AIP. These are earnings that exclude the effect of extraordinary and non-recurring gains or losses, so they more accurately measure the effectiveness of day to day business operations. By measuring financial returns over three years, the long-term incentive plans take away much of this variability through their structure. Ultimately, operating earnings and other financial measures show whether or not the organization has been cost effective in delivering service within the revenue available to it.

Q. DO CUSTOMERS BENEFIT FROM INCLUDING FINANCIAL GOALS IN AN INCENTIVE PLAN?

A. Yes. Incentive goals tied to financial performance are important because they communicate to all employees that they have a direct stake in achieving the Company's goal of economical service to customers and preserving its access to capital markets on favorable terms. Financial goals are part of how we ensure that managing costs and financial expectations is part of the balance of priorities that incentives communicate. We never want to send employees the message that effectively managing costs and financial expectations is only a secondary consideration. Ultimately, if Dominion Energy and its business units are able to manage their businesses in a way that allows them to meet financial targets and expectations year by year, a culture of cost control will be created and sustained, and access to capital on reasonable terms will be assured. Customers will benefit through lower costs for utility services. Pressures to increase rates will be reduced.

V. DIVERSITY AND INCLUSION

Q. HOW HAVE DESC'S DIVERSITY AND INCLUSION PRACTICES CHANGED SINCE THE MERGER?

A. Dominion Energy's top priorities include attracting and retaining a diverse workforce and creating an inclusive culture where all employees can thrive. As a result of the merger, DESC has eight new Employee Resource Groups ("ERG") to support its employees:

- Women's ERG - *We3*
- African-American ERG - *AARG*
- Latino ERG - *¡Hola!*
- Asian Pacific Islander ERG - *API*
- Disabled Employees/Caregivers ERG - *DiversAbility*
- LGBTQ+ ERG – *Pride*
- Veterans ERG
- Young Professionals ERG

Each of these organizations is open to all employees across Dominion Energy, regardless of background. These groups offer community engagement, professional development and other opportunities to connect with and support fellow employees while contributing distinct perspectives to our diverse company culture.

DESC has also implemented Dominion Energy hiring procedures to produce diverse applicant pools and to require at least one diverse member on each interview panel. We expanded internship programs and opportunities, adding five new diversity scholarships for Southeast Energy Group interns in 2020. DESC also participated in Dominion Energy's Diversity Student Conference in the fall of 2019, which attracted more than 125 students from diverse backgrounds to learn about the energy industry and our company.

As previously described, DESC now participates in Dominion Energy's AIP, including its company-wide diversity and inclusion training goal. In 2019, this goal required leaders to have direct, engaging conversations about discrimination in the workplace and unconscious bias with at least 95% of the workforce.

VI. CONCLUSION

Q. IN SUMMARY, WHAT ROLE DOES INCENTIVE COMPENSATION PLAY IN THE TOTAL COMPENSATION PACKAGE?

A. Incentive plans are an integral part of the total compensation package of fair and competitive pay and benefits offered to employees and prospective employees. Annual and long-term incentive compensation plans are standard in the utility industry and other businesses with whom DESC competes for personnel. When we recruit employees from the job market or seek to retain employees in competition with other opportunities, the availability and structure of the incentive compensation plan is something that employees and prospective employees evaluate carefully and to which they give significant weight. Without the incentive component in the total compensation package, it would not be competitive, and DESC would have to increase other aspects of compensation, such as base pay, to continue attracting and retaining diverse, skilled, and committed employees.

In addition, the incentive plans are a uniquely valuable set of tools for communicating and engaging employees at all levels of the organization with the specific goals that must be accomplished to meet the Company's overarching goals of providing safe, reliable, and economical electric service to customers and acting as a responsible corporate citizen. The incentive programs give every employee a direct stake in the accomplishment of the Company's most important goals. Those tools would be lost if incentives were replaced with base pay. Given the acceptance of incentive plans as part of standard utility and business compensation structures and the value they provide to customers, it is entirely appropriate to recognize that such programs are a valid cost of providing utility service. I respectfully request that the Commission include DESC’s incentive plan expense, as adjusted to reflect no more than a payout at 100% for the 2019 AIP, in the revenue requirements for the Company.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

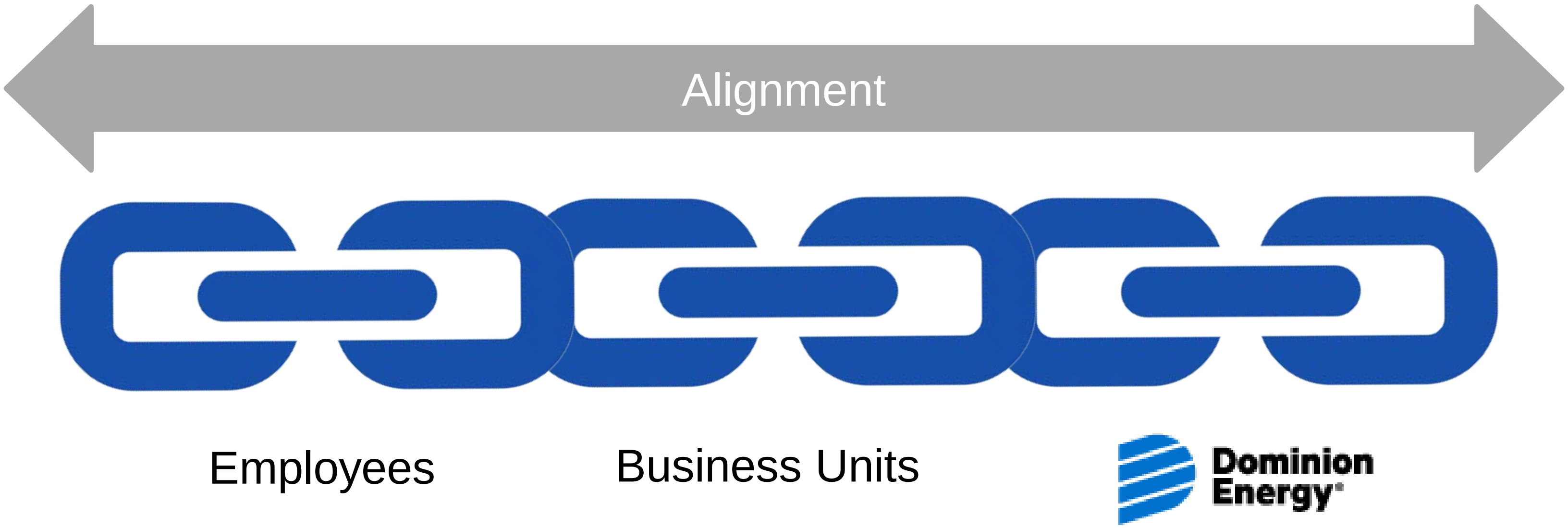
A. Yes. It does.

2019 AIP

Dominion Energy's Annual Incentive Plan

Dominion Energy®

When Dominion Energy Succeeds, We All Succeed



Dominion Energy’s Annual Incentive Plan (AIP) creates a strong link between the performance of individual employees, Business Units, and Dominion Energy’s success – ultimately rewarding that success. In 2019, the Plan design has been simplified but is similar to that of 2018. *All employees including Southeast Energy Group (SEG) will share in Earnings Per Share (EPS) targets, along with shared and departmental goals*. The 2019 Plan will incent and reward all employees for continued excellent operations and performance that will ultimately benefit customers and shareholders. The successful achievement of Plan goals will move us towards our vision of becoming the Most Sustainable Energy Company in America.

2019 Shared Operating & Stewardship Goal Categories

OPERATING & STEWARDSHIP GOAL CATEGORIES

Safety 10 points	Diversity & Inclusion 10 points	Environmental 10 points
• Safety is our number one priority	• Diversity will strengthen our bottom line	• Commitment to sustainable operations

All eligible Dominion Energy employees will share three corporate goal categories – Safety, Diversity and Inclusion, and Environmental. The minimum weightings for all three goals is 10 points with each reflecting the importance of these goals. These goal categories will have the same components and same scoring criteria for all.
There may be no more than 4 additional Operating and Stewardship goals with a minimum weighting of 5 points each.

Note: The Compensation, Governance and Nominating (CGN) Committee has the discretion to reduce or eliminate payout based on performance.

2019 AIP Corporate Goal Details – SAFETY 10 points

Includes Southeast Energy Group

Goal Components	Scoring Criteria	Target Points
Safety Innovation Business Unit goal focused on Safety Innovation: Each BU will identify and implement three innovative solutions that improve safety identified in Risk Reduction Plans, with SEG creating Risk Reduction Plans and implementing three innovative solutions.	3 innovative solutions identified and implemented by BU = 5 points BU does not meet goal requirement= 0 points	5 points
LD/RD (DART)* Rate Company-wide goal focused on a reduction in more serious injuries and reinforcing our One Dominion Energy core value: Achieve targeted LD/RD incident rate of 0.29 (this is the 3-year average less 3% and includes SEG historical performance).	LD/RD (DART) less than or equal to 0.29 = 3 points LD/RD (DART) of 0.30 = 1.5 points LD/RD (DART) greater than 0.30 = 0 points	3 points
OSHA Recordable Incident Rate Company-wide goal focused on reducing OSHA recordable injuries: Achieve targeted incident rate of 0.68 (this is the 3-year average less 3% and includes SEG historical performance). OSHA Recordable injuries include Hearing Loss cases.	OSHA Recordable Incident Rate less than or equal to 0.68 = 2 points OSHA Recordable Incident Rate of 0.69 or 0.70 = 1 point OSHA Recordable Incident Rate greater than 0.70 = 0 points	2 points

*DART (Days Away/Restricted or Transfer Rate) – A mathematical calculation that describes the number of recordable injuries and illnesses per 100 full-time employees that resulted in days away from work (LD), restricted work activity and/or job transfer (RD) that a company has experienced in any given time frame.

2019 AIP Corporate Goal Details – SAFETY Bonus Points

The O&S Safety Goal will continue to have the potential to earn 5 bonus points for exceptional performance. Bonus points earned for exceeding the minimum safety goal can only be used to offset underachievement of goals in the Operating and Stewardship category. The 5 bonus points cannot be used toward any additional O&S goals created around safety, diversity and inclusion, environmental, or regulatory compliance.

Safety Bonus Point Requirements:	Bonus Points
Bonus points may be earned as follows: Successfully complete all 3 safety goal objectives on Slide 4 ***and*** achieve LD/RD (DART) Company-wide incidence rate of equal to or less than 0.28. This represents record company performance.	+ 5 points

2019 AIP Corporate Goal Details – DIVERSITY & INCLUSION 10 points

Excludes Southeast Energy Group

Leadership Goal Components	Scoring Criteria	Target Points
Supplier Diversity Spend Dominion Energy to spend $640M with diverse suppliers. Note: Scoring subject to adjustment for significant events.	Greater than or equal to $640M = 2 points $600M - $639.9M = 1 point Less than $600M = 0 points	2 points
Employee Training 95% of all Dominion Energy leaders will develop and lead an education session* with their direct reports by year-end on Discrimination in the Workplace. Leaders will self-certify, upon completion, via the LMS, that they led/facilitated an education session.	95% or more Dominion Energy leaders (either independently or in partnership with other leaders in their group) led a session with direct reports by 12/31/19 = 8 points Less than 95% = 0 points	8 points

*The Office of Diversity and Inclusion will provide a tool kit for properly conducting the discussions, including approved guidelines, content, and helpful hints.

Individual Contributor Goal Component	Scoring Criteria	Target Points
Employee Training 95% of all Dominion Energy employees (excluding leaders) will attend a leader-led education session by year-end on Discrimination in the Workplace. Employees will self-certify via the LMS after attending the session.	95% or more Dominion Energy employees attended an education session delivered by their leader(s) by 12/31/19 = 10 points 90% to 94% participation = 5 points Less than 90% participation = 0 points	10 points

Dominion Energy

2019 AIP Corporate Goal Details – DIVERSITY & INCLUSION 10 points
Southeast Energy Group Only

Leadership Goal Components	Scoring Criteria	Target Points
Supplier Diversity Spend SEG business unit will track the Supplier diversity spend in 2019 based on Dominion Energy (DE) tracking methodology, in order to establish a supplier diversity spend baseline.	SEG tracks using DE methodology = 2 points SEG does not track using DE methodology = 0 points	2 points
Employee Training 95% of all SEG leaders will develop and lead an education session* with their direct reports by year-end on Discrimination in the Workplace. Leaders will self-certify, upon completion by signing a roster that they led/facilitated an education session.	95% or more SEG leaders (either independently or in partnership with other leaders in their group) led a session with direct reports by 12/31/19 = 8 points Less than 95% = 0 points	8 points

*The Office of Diversity and Inclusion will provide a tool kit for properly conducting the discussions, including approved guidelines, content, and helpful hints.

Individual Contributor Goal Component	Scoring Criteria	Target Points
Employee Training 95% of all SEG employees (excluding leaders) will attend a leader-led education session by year-end on Discrimination in the Workplace. Employees will self-certify via signing a roster after attending the session.	95% or more SEG employees attended an education session delivered by their leader(s) by 12/31/19 = 10 points 90% to 94% participation = 5 points Less than 90% participation = 0 points	10 points

Dominion Energy

2019 AIP Corporate Goal Details – ENVIRONMENTAL 10 Points

Excludes Southeast Energy Group

Organizations subject to Environmental Management System (EMS)

Goal Components	Scoring Criteria	Target Points
Enhanced EMS Training 95% of employees (including leaders) will complete the Enhanced EMS training module and self-certify completion using the LMS by 12/31/19.	Greater than or equal to 95% = 5 points Less than 95% = 0 points	5 points
Reportable Environmental Events (REE) Each Operating Unit that tracks Reportable Environmental Events shall comply with the Operating Unit specific REE limit. REE goal subcomponent scored on a sliding scale.	Equal to or less than REE limit = 5 points 5% or less above REE limit (or a minimum of 1 event above) = 4 points Greater than 5% up to 10% above REE limit (or a minimum of 2 events above) = 3 points Greater than 10% up to 15% above REE limit (or a minimum of 3 events above) = 2 points Greater than 15% above REE goal = no credit	5 points

Organizations not subject to EMS

Goal Components	Scoring Criteria	Target Points
Enhanced EMS Training 95% of employees (including leaders) will complete the Enhanced EMS training module and self-certify completion using the LMS by 12/31/19.	Greater than or equal to 95% = 10 points Less than 95% = 0 points	10 points

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2019 AIP Corporate Goal Details – ENVIRONMENTAL 10 Points

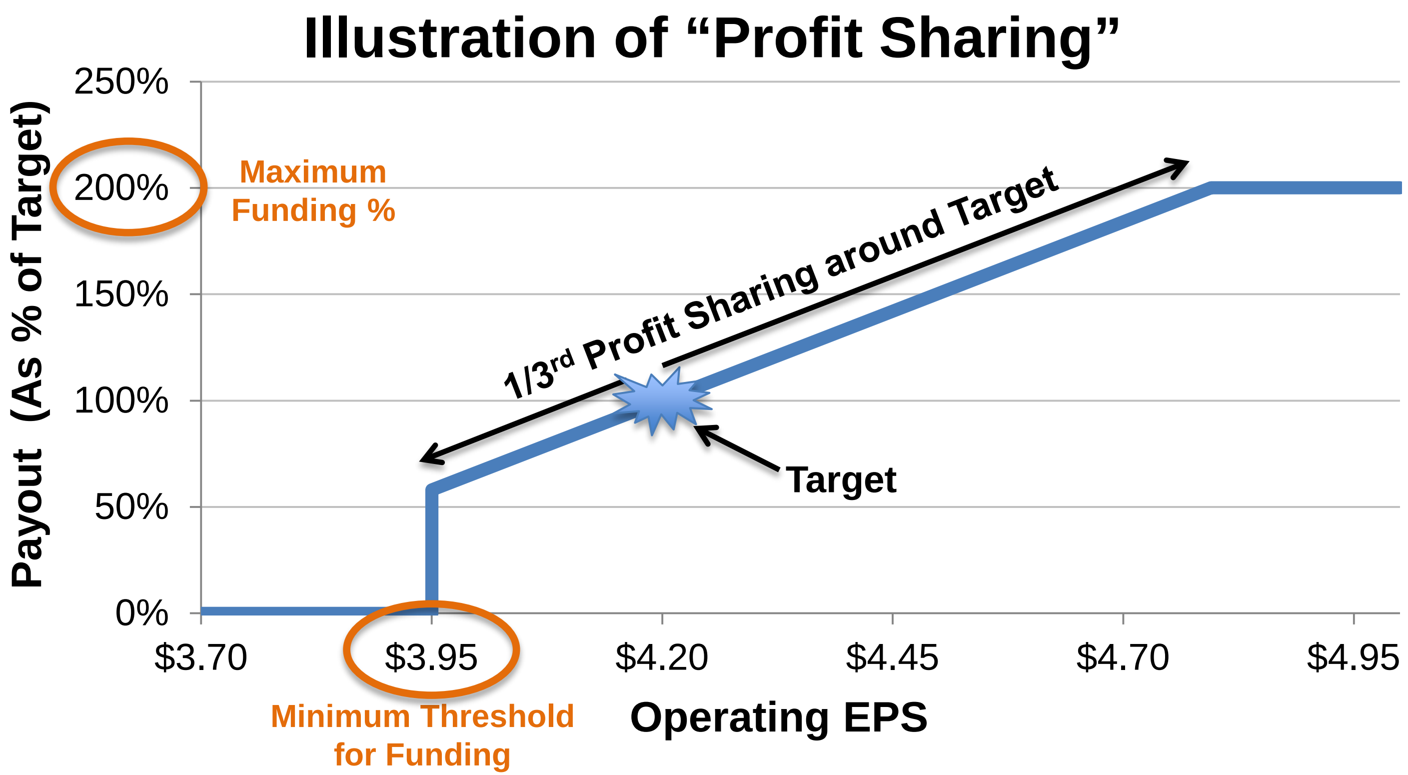
Southeast Energy Group Only

<u>Organization subject to Environmental Management System (EMS)</u>

Goal Components	Scoring Criteria	Target Points
Enhanced EMS Training 95% of SEG employees (including leaders) will complete the Enhanced EMS training module and self-certify completion using Powertrain or by signing a roster by 12/31/19.	Greater than or equal to 95% = 5 points Less than 95% = 0 points	5 points
Reportable Environmental Events (REE) Each SEG business entity must track environmental events September 1 through December 31, 2019, utilizing the Dominion Energy Environment and Sustainability tracking methodology.	Tracks environmental events using DE methodology = 5 points Does not track environmental events using DE methodology = 0 points	5 points

Note: All Southeast Energy Group employees will be subject to both EMS goal components.

2019 AIP Funding Mechanism



The AIP funding mechanism is based on Dominion Energy's consolidated operating earnings per share (EPS) with a minimum funding EPS threshold and maximum funding %. AIP funding around the target, and between the minimum threshold and the maximum funding percentage, will include a 1/3rd profit sharing mechanism, with 1/3rd of gains or losses in relation to the target impacting employee AIP funding.*

The Compensation, Governance, and Nominating Committee of the board of directors (CGN) will retain the discretion to adjust final funding.

2019 AIP Goal Plan Points

	Consolidated Financial Goals		Business Unit Financials	Operating & Stewardship: Safety		Diversity & Inclusion	Environmental	Up to 4 Add'l Goals		Total O/S Points		Total (Maximum) Overall Goal Points
CEO	85 pts	+	n/a	5 pts	n/a	5 pts	5 pts	0 pts	+	15 pts	=	100 pts
EVP/ BU CEO	40 pts	+	45 pts	5 pts	n/a	5 pts	5 pts	0 pts	+	15 pts	=	100 pts
SVP/ VP	15 pts	+	35 pts	10 pts minimum	+ 5 pts	10 pts minimum	10 pts minimum	20 pts	+	50 pts	=	100 pts
Leadership (Non-executive)	n/a	+	35 pts	10 pts minimum	+ 5 pts	10 pts minimum	10 pts minimum	35 pts	+	65 pts	=	100 pts
Individual Contributors	n/a	+	25 pts	10 pts minimum	+ 5 pts	10 pts minimum	10 pts minimum	45 pts	+	75 pts	=	100 pts

Extra credit allowance for exceeding minimum safety goals. Can be used to offset other Operating and Stewardship goals (except other safety, diversity, environmental, or regulatory compliance goals)

2019 AIP Goal Visibility

2019 goals are being finalized for all plan participants.

the hub

AIP goals can be viewed in the HUB beginning **in April.**

Remember, the formula for calculating AIP awards is:

Plan Compensation X **Target Award Level** X **Funding Level** X **Total Goal Plan Score** = **Actual Award Payout**

Detailed information can be found in the 2019 AIP Guidelines.

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